

Anglo American
Corporation
of Canada Limited

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Company Director

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A Vice President, Hudson Bay Mining and Smelting Co., Limited*

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Anglo American Corporation of Canada Limited,
Chairman and Chief Executive Officer, Hudson Bay Mining and Smelting Co., Limited*

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W. A. MORRICE
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G. W. H. RELLY
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*Chairman, Charter Consolidated Limited,
Executive Director, Anglo American Corporation of South Africa Limited*

J. D. TAYLOR, Q.C.
President, Anglo American Corporation of Canada Limited

OFFICERS

H. R. FRASER, *Chairman and Chief Executive Officer*

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A. M. DOULL, *Vice President*

C. K. TAYLOR, Q.C., *Secretary*

P. H. PAGE, C.A., *Treasurer*

Report of the Directors

Presented with this report are Amcan's consolidated financial statements for 1974. The form of the income statement has been altered from that used in 1973 so that dividends from effectively controlled companies are shown separately from the equity in the undistributed income of those companies. During 1974 Amcan increased its interest in Tombill Mines Limited to more than 50% so that the financial statements of Tombill are consolidated for the first time.

Consolidated net income for 1974 was \$11,946,000 or \$1.20 per share, a decline of some \$11,087,000 from 1973.

The previous year included a gain on realization of investments of \$6,843,000 after making a provision for loss on other investments, which compares with \$86,000 in 1974. The other major contributors to the decline were a reduction in the equity in undistributed income of effectively controlled companies of \$1,641,000 to \$7,309,000 and the losses incurred in the trading portfolio including provision for unrealized losses.

Dividend income declined by \$1,111,000 of which \$794,000 was the result of the reduced dividend received from Hudson Bay Mining and Smelting Co., Limited which is Amcan's major investment. The sale of other major investments during 1973 also contributed to the decline of dividend income. Net interest income improved substantially and Amcan's 16 2/3% share of the income of the joint venture with Whitehorse Copper Mines Ltd., after providing for amortization, was slightly higher at \$1,009,000 than the previous year.

Dividend payments for the year were maintained at 40 cents per share and totalled \$3,972,000 as compared with \$3,709,000 in 1973 when the number of outstanding shares of the company was increased by a rights issue.

The net asset value of Amcan at December 31, 1974, including quoted investments at market value and un-

quoted assets at the lower of cost or Directors' valuation, with the exception of the 40% unquoted interest in Francana Development Corporation Ltd. in which case the value of the underlying net assets was used, was \$81,832,000 or \$8.24 per share compared with \$140,981,000 or \$14.20 per share at the end of 1973. Although this apparent diminution in value was substantial it reflected the precipitous decline in stock market prices during 1974. Market prices have since improved and at March 31 the net asset value was approximately \$105,000,000, or \$10.57 per share.

During the year Amcan made a number of important new investments. These include the acquisition of a 33.6% interest in Lytton Minerals Limited, an increased investment in Whitehorse Copper Mines Ltd., a purchase of 50% of the interest of Consumers Oil Limited in certain gas reserves in Alberta, the purchase of additional stock in Francana Development Corporation Ltd., as well as a 10% interest in Minsearch Surveys Limited.

HUDSON BAY MINING AND SMELTING CO., LIMITED

The major asset of Amcan continues to be its investment in Hudson Bay Mining in which its direct interest is 35.12%. The earnings of Hudson Bay Mining in 1974 were the second highest in the company's history at \$38,579,000, next only to the earnings of \$47,294,000 in 1973 (as restated to reflect the acquisition of a 37.8% interest in Western Decalta Petroleum Limited in August 1973 and including extraordinary income of \$2,704,000).

Gross sales at \$216,339,000 for 1974 showed an increase of 19% over 1973 due to substantially increased prices for all products. An even more impressive increase would have been recorded but for a 13% slump in metal ore production resulting from a chronic shortage of trained miners and labour in northern Manitoba. On June 30, 1974, the Government of Saskatchewan suspended its

pro-rationing regulations with the result that Sylvite of Canada increased its potash production by 22% over 1973 and operated at an average of 91% of rated capacity for 1974.

Operating costs were 29% higher than in 1973 so that pre-tax earnings in 1974 were only 5% higher than the previous year. However there was a remarkable change in the earnings pattern; pre-tax earnings from base-metal operations accounted for only 44% of the total compared with 80% in 1973, while the contribution from fertilizer, chemical and industrial minerals operations increased from 17% to 37%, and oil and gas (including on a consolidated basis the revenues of Trend Exploration Limited from July 1, 1974) for the first time made a significant contribution of 19%.

The charge for taxes and royalties jumped sharply by 88.5% to \$30,499,000, resulting in the lower net earnings for 1974. A substantially higher proportion of net earnings (24% in 1974) arose from equity interests in affiliated companies which do not necessarily distribute their earnings by way of dividends.

Proven reserves of ore at the various mines of Hudson Bay Mining in the Flin Flon-Snow Lake area showed a slight reduction from 18,000,600 tons at the end of 1973 to 17,973,800 tons at the end of 1974. The grade of these reserves was estimated at 0.033 oz. per ton of gold, 0.50 oz. per ton of silver, 2.89% of copper and 2.7% of zinc. The reserves of potash at the Sylvite of Canada Division amounted to 350 million tons at year end, compared with 364 million tons at the end of 1973.

In April 1974 the shareholders of Hudson Bay Mining approved the purchase of a 37.8% interest in Western Decalta Petroleum Limited. Western Decalta's net income in 1974 was \$3,478,000, an increase of \$1,387,000 over the previous year. Cash flow increased by \$3,035,000

to \$9,785,000. Higher product prices were partially offset by slightly lower volume, increased royalty payments and higher taxes in Canada plus sharply higher operating costs. Net crude oil and liquid gas production totalled 2,196,000 barrels compared with 2,586,000 barrels in 1973. Net natural gas sales were 6.112 billion cubic feet, compared with 6.486 billion cubic feet the previous year. Western Decalta's gross proven and probable crude oil reserves including natural gas liquids totalled 35,564,000 barrels at year end, compared with 36,528,000 barrels in 1973. Natural gas reserves increased to 228 billion cubic feet from 217 billion cubic feet at the end of 1973.

Canadian Merrill Ltd., in which Hudson Bay Mining has a 23.1% interest, had income, before extraordinary items, of \$650,000 for the year to June 1974 as compared with \$471,000 for the previous fiscal year. Natural gas production was 5.482 billion cubic feet, an increase of 38% over the previous year, and crude oil production increased by 23% to 205,000 barrels. Proven and probable reserves totalled 1,754,000 barrels of oil and 185 billion cubic feet of natural gas, approximately the same as for the previous year.

FRANCANA DEVELOPMENT CORPORATION LTD.

Consolidated net income of Francana Development, of which Amcan owns 40%, fell in 1974 to \$445,000 as compared with \$2,850,000 in 1973. Lower dividend receipts from Hudson Bay Mining and an increased write-down of the trading portfolio to accord with the substantial decrease in market prices over the year contributed to this fall, however the largest factor was the capital gain of \$2,053,000 recorded in 1973 compared with no gain in 1974. Francana Development continues to hold an important interest in Hudson Bay Mining as well as a 32.27% interest in Francana Oil & Gas Ltd. The net asset value at the end of 1974, taking quoted assets at

market value and unquoted assets at cost, was \$31,647,000 compared with \$41,788,000 at the end of the previous year.

FRANCANA OIL & GAS LTD.

Through Hudson Bay Mining's 54.96% holding of Francana Oil & Gas as well as Francana Development's 32.27% holding, Amcan has an important indirect interest in this company. Francana Oil & Gas's earnings for 1974 amounted to \$5,218,000 compared with \$1,118,000 in 1973. Funds generated from operations totalled \$8,651,000 compared with \$2,308,000 in the previous year. The substantial increase in earnings and funds generated is largely the result of the consolidation effective July 1, 1974, of the accounts of Trend Exploration Limited with those of Francana Oil & Gas following the purchase of additional Trend Exploration shares in May 1974, which increased Francana Oil & Gas's interest in Trend Exploration to about 57% from 30%. Trend Exploration acts as operator of its most important asset which is its 27% working interest in a Production-Sharing Contract with Pertamina, the Indonesian state-owned oil company. Trend Exploration's net share of crude oil sales in Indonesia totalled 1,573,000 barrels, an average of 4,224 barrels per day. Total production was 11,170,000 barrels, an average of 30,600 barrels per day. Production reached a peak of 50,000 barrels per day in June but declined substantially during the second half of the year, largely as the result of an increase in the Indonesian crude oil posted price and a general softening in world demand. The marketing situation has since improved and gross production exceeded 50,000 barrels per day in January 1975. It is expected that sales in 1975 will average 100,000 barrels per day as new wells are added to the pipeline stream and expansion of production facilities is completed. The acquisition of control of Trend Exploration by Francana Oil & Gas lessens the dependence

on Canadian operations, which have been made less attractive by recent Provincial and Federal conflict over their share of resource taxation at the expense of the industry.

WHITEHORSE COPPER MINES LTD.

During the year both Amcan and Hudson Bay Mining increased from 5.9% to 20.63% their interests in Whitehorse Copper Mines which had net profit of \$2,981,000 in 1974 as compared with \$2,095,000 in 1973. Whitehorse Copper Mines used its cash flow to retire all of its Series A Bonds totalling \$4,900,000 by the end of January 1975. These were held equally by Amcan and Hudson Bay Mining, which companies still hold the Series B Bonds aggregating \$2,850,000.

The income of Whitehorse Copper Mines is derived from its two-thirds interest in a joint venture in which Amcan and Hudson Bay Mining each hold a one-sixth interest. Production of the joint venture at 618,000 tons was lower than in the previous year due primarily to over-sized muck, a problem which should be rectified early in 1975 by the installation of a new crusher underground. Ore reserves were increased sufficiently to offset the tonnage mined during the year.

LYTTON MINERALS LIMITED

During the year each of Amcan and Hudson Bay Mining acquired a 33.64% interest in Lytton, whose principal asset is an interest of about 48% in a Mexican company which owns the La Verde copper deposit at Gabriel Zamora 200 miles west of Mexico City. Equity financing for the company, to be called Compania Cuprifera La Verde, S.A., will be provided by Lytton as to 48%, by Comision de Fomento Minero, an agency of the Mexican government, as to 26% and by Desc, Sociedad de Fomento Industrial, S.A. de C.V., a private industrial

holding company, as to 26%. Amcan and Hudson Bay Mining will provide technical assistance for the project, the cost of which is currently estimated at about \$101 million. Advanced planning for the project was well underway by the year end and negotiations for the financing of the project are proceeding.

There are two orebodies, together containing proven reserves of about 81.3 million short tons grading 0.699% copper. Production by open pit mining at the planned rate of 15,000 metric tons per day will produce annually concentrates containing 75 million pounds of copper, 14,000 ounces of gold and 400,000 ounces of silver. Construction and development are expected to take three years, with production of concentrates beginning about the first quarter of 1978.

With the approval of the Lytton shareholders, Amcan and Hudson Bay Mining have each agreed to subscribe up to \$5,000,000 of Lytton's preference shares, a portion of which will be convertible into additional common shares. The funds will be used to enable Lytton to finance its equity participation in the La Verde project. Conversion of the preference shares would increase the joint Amcan-Hudson Bay Mining interest in Lytton to 75%.

TOMBILL MINES LIMITED

Tombill, which is now a subsidiary of Amcan, continues to have as its major asset its holding of 154,500 shares of Hudson Bay Mining and also owns a 40% interest in Francana Minerals Ltd. This latter company, the balance of whose equity is owned by Hudson Bay Mining, had a very successful year and has increased its productive capacity in order to meet the substantial demand for sodium sulphate, a situation which is expected to persist through 1975.

Diamond drilling in Vincent Township, Western Ontario, tested previously known gold occurrences and led to the

discovery of three new gold bearing zones. The drilling indicated erratic values over narrow widths and the zones are considered to be uneconomical at the present time. Geochemical and geophysical surveys, carried out over the 56 patented claims near Geraldton, Western Ontario, have outlined a number of anomalous conditions that should be tested by diamond drilling at some future date. Gulch Mines Inc., in which Tombill has a 37.7% interest, carried out an underwater gamma ray spectrometric survey of its claim block CBS 276 on Black Bay, Lake Athabasca, Saskatchewan. This work indicated 6 anomalies that will be drill tested for uranium during 1975.

In addition to the above, Tombill maintained its 10% share in Amcan's interest in the joint prospecting agreement with Hudson Bay Mining, covering all of Canada except the provinces of Manitoba and Saskatchewan, and carried a one third interest in a gold exploration project in the Kakagi Lake area, Kenora, Ontario.

MINSEARCH SURVEYS LIMITED

This company was formed in 1974 to develop and exploit for mineral exploration the patented AIRTRACE airborne biogeochemical survey system invented by Dr. A. R. Barringer of Barringer Research Limited, which company has a 50% interest in Minsearch and a 70% interest in a similar company licensed to use the AIRTRACE system for hydrocarbon exploration. The remaining equity in each case has been split among Amcan, Hudson Bay Mining and Minerals and Resources Corporation Limited, a member of the Anglo American Group.

The results of a substantial research and development programme, which included a considerable amount of test flying in a DC-3 aircraft acquired by Minsearch, have been encouraging to date and plans are being pursued for the institution of commercial operations later this year.

Minsearch will operate the AIRTRACE system for both companies, and it is intended to make the system available to others on commercial terms subject to pre-existing contracts and certain geographical limitations.

AMBAY SERVICES LIMITED

This company was formed in April 1974 to manage the cash resources of the Amcan and Hudson Bay Mining Group, as well as to provide certain other financial services. It is jointly owned by Amcan and Hudson Bay Mining.

AGNEW LAKE MINES LIMITED

During 1974 Agnew Lake started a pilot programme to investigate the feasibility of re-opening the company's uranium mine and acquired additional properties for treasury shares, so that Amcan's interest declined to 8%. As a result of arrangements made since the year end, the original commitment to provide financing has been extinguished although Amcan retains the right to participate in future financing to the extent of 8%.

CONSUMERS OIL LIMITED

Amcan holds a 23.0% interest in Consumers, a Calgary based independent oil and gas company, in which both Francana Development and Francana Oil & Gas have small interests. In the past year substantial progress has been made in the development of a number of the company's important gas reserves, including those in the Antelope area of Alberta on a joint venture basis with Amcan.

EXPLORATION

Amcan continued to participate with Hudson Bay Mining in a programme of exploration in the Yukon Territory, Ontario, Quebec and in the Northwest Territories. Many geophysical anomalies were tested by diamond drilling in Ontario and Quebec and several

geochemical anomalies were investigated in the Yukon Territory. Lead, zinc and fluorspar occurrences discovered in the Yukon Territory will be further investigated during 1975. A programme of exploration for gold was undertaken in the Yukon Territory and this will be continued during 1975.

VENTURE CAPITAL INTERESTS

Amcan has an interest of 10.9% in Sterisystems Limited, a company involved in the hospital television rental business and in the production of Vitamin E. 1974 was another successful year and earnings improved from \$804,000 in 1973 to \$1,005,000.

Substantial progress was made in 1974 by PolyCom Systems Limited in which Amcan has a 19.3% interest. Consolidated revenues increased to \$1,674,000 from \$1,359,000 in 1973 whilst the net loss after extraordinary items was reduced to \$118,000 from \$467,000.

MANAGEMENT

It is with great regret that we report the sudden death in June 1974 of Mr. Thomas P. Sullivan, the Secretary-Treasurer of Amcan. Mr. Sullivan had been with Amcan since its inception in 1966 and had played an important role in its administration. Mr. Peter H. Page was appointed Secretary-Treasurer in his stead, subsequently relinquishing the secretarial position to Mr. C. Keith Taylor, Q.C.

On Behalf of the Board of Directors,

H. RONALD FRASER,
Chairman

J. DAVID TAYLOR, Q.C.,
President

April 15, 1975

Consolidated statement of income and retained earnings for the year ended December 31, 1974

(with 1973 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS SUBSIDIARIES

	1974	1973
Income:		
Dividends:		
Effectively controlled companies (Note 2)	\$ 5,637,834	\$ 6,431,632
Other	342,318	659,806
Interest	3,303,809	4,426,413
Profit (loss) on trading securities (Note 1)	(2,196,866)	355,139
Profit on sale of copper concentrates	—	365,592
Joint venture	1,009,313	950,000
Miscellaneous	54,801	61,656
Total income	8,151,209	13,250,238
Expenses:		
Prospecting and exploration (Note 1)	1,272,713	685,384
Interest:		
Affiliated companies	223,502	891,380
Other	1,262,687	3,041,855
Other operating expenses, less recoveries, 1974—\$464,727; 1973—\$343,392	837,747	784,080
Net expenses	3,596,649	5,402,699
Income less expenses	4,554,560	7,847,539
Provision for taxes (Note 6)	3,307	1,027,463
Income before the following items	4,551,253	6,820,076
Gain on realization of investments—less provision for loss on investments (1974—\$17,689; 1973—\$1,647,932)	85,922	6,842,719
Income before equity adjustment	4,637,175	13,662,795
Equity in undistributed income of effectively controlled companies (Note 2)	7,309,081	8,048,928
Income before extraordinary items	11,946,256	21,711,723
Tax reduction on application of prior years' losses	—	420,293
Equity in recovery of investment by effectively controlled company (Note 2)	—	901,096
Net income	11,946,256	23,033,112
Retained earnings at beginning of the year—1973 as restated	41,069,295	22,558,813
Add—refundable taxes recoverable (Note 6)	768,481	—
	53,784,032	45,591,925
Less:		
Dividends paid	3,971,818	3,709,318
Refundable taxes not yet recoverable (Note 6)	1,735,539	813,312
	5,707,357	4,522,630
Retained earnings at end of the year	\$48,076,675	\$41,069,295

The accompanying notes are an integral part of the financial statements.

Consolidated balance sheet as at December 31, 1974

(with 1973 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED (Incorporated under the Canada Corporations Act)
AND ITS SUBSIDIARIES

ASSETS

	1974	1973
Current assets:		
Cash	\$ —	\$ 31,821
Accrued interest and dividends receivable..	1,724,352	4,934,946
Accounts receivable	2,412,838	6,582,242
Notes and deposits:		
Affiliated companies ..	8,713,946	2,386,775
Chartered banks—term deposits:		
U.S. (1973—U.S. \$4,000,000)	—	3,983,200
Canadian	—	18,905,844
Financial institutions..	—	40,107,139
Loans receivable	1,302,307	5,646,597
Trading securities—at the lower of cost or market value (market value, 1974—\$7,772,640; 1973—\$4,714,823) (Note 1)	7,748,260	4,569,823
Total current assets	21,901,703	87,148,387
Investments (Note 2)	139,047,758	123,099,865
Fixed assets (Note 3)	415,564	340,096
TOTAL	\$161,365,025	\$210,588,348

Approved by the Board:

David Taylor, *Director*

A. M. Doull, *Director*

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1974</u>	<u>1973</u>
Current liabilities:		
Bank indebtedness	\$ 47,031	\$ —
Accounts payable and accrued charges	1,675,959	922,714
Accrued interest payable	37,604	368,834
Loans and deposits:		
Chartered bank (Note 4)	—	1,804,000
Affiliated companies	—	10,240,477
Other:		
Canadian loans	567,567	35,976,231
U.S. loans (1974—U.S. \$8,101; 1973—U.S. \$4,006,344)	8,030	3,989,544
Income debentures (Note 4)	2,000,000	13,500,000
Taxes payable	949,688	1,631,803
Total current liabilities	<u>5,285,879</u>	<u>68,433,603</u>
Income debentures (Note 4)	<u>6,000,000</u>	<u>—</u>
Minority interest in subsidiary	<u>917,021</u>	<u>—</u>
 Shareholders' equity:		
Capital stock (Note 5):		
Authorized:		
15,000,000 Class "A" convertible common shares without nominal or par value		
15,000,000 Class "B" convertible common shares without nominal or par value		
Issued and fully paid:		
6,319,614 Class "A" shares	64,335,377	64,335,377
3,609,931 Class "B" shares	36,750,073	36,750,073
	<u>101,085,450</u>	<u>101,085,450</u>
Retained earnings	48,076,675	41,069,295
Total shareholders' equity	<u>149,162,125</u>	<u>142,154,745</u>
 TOTAL	<u><u>\$161,365,025</u></u>	<u><u>\$210,588,348</u></u>

Consolidated statement of changes in financial position for the year ended December 31, 1974

(with 1973 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS SUBSIDIARIES

	1974	1973
Funds provided:		
From operations:		
Net income	\$11,946,256	\$23,033,112
Add (deduct):		
Equity in recovery of investment by effectively controlled company	—	(901,096)
Equity in undistributed income of effectively controlled companies	(7,309,081)	(8,048,928)
Loss (gain) on realization of investments:		
Quoted	(149,444)	(8,184,651)
Unquoted	45,833	—
Provision for loss on investments:		
Quoted	—	254,613
Unquoted	17,689	1,393,319
Excess cost of subsidiary over net book value written off	2,641	—
Depreciation, amortization and amounts written off furniture and office equipment ..	29,802	25,995
Amount written off against joint venture income	300,000	350,000
Funds provided from operations	4,883,696	7,922,364
Refundable taxes recoverable	768,481	—
Investments realized	3,164,229	40,456,458
Reduction in mortgages receivable	90,175	108,474
Fixed assets sold	2,202	105,132
Income debentures issued	8,000,000	—
Capital stock issued	—	15,000,000
Total funds provided	16,908,783	63,592,428
Funds applied:		
Investments purchased:		
Subsidiaries (net of working capital acquired, 1974—\$140,856; 1973—\$81,690)	(115,551)	(17,359)
Quoted	—	2,339,874
Unquoted	199,941	759,299
Effectively controlled companies	10,164,466	23,093,586
Joint venture	772,058	—
Mortgage advances	172,000	356,500
Fixed assets purchased	107,472	61,225
Income debentures—current portion	2,000,000	8,000,000
Dividends paid	3,971,818	3,709,318
Refundable taxes not yet recoverable	1,735,539	813,312
Total funds applied	19,007,743	39,115,755
Increase (decrease) in working capital for the year	(2,098,960)	24,476,673
Working capital (deficiency) at beginning of the year	18,714,784	(5,761,889)
Working capital at end of the year	<u>\$16,615,824</u>	<u>\$18,714,784</u>

The accompanying notes are an integral part of the financial statements.

Notes to the consolidated financial statements

December 31, 1974

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS SUBSIDIARIES

1. Significant Accounting Policies

Principles of consolidation:

The accounts of Anglo American Corporation of Canada Limited (Amcan) are consolidated with those of its subsidiaries:

	<u>% of Ownership</u>
Anglo American Corporation of Canada Exploration Limited	100
Anmercosa Canadian Exploration Limited	100
Tombill Mines Limited—control acquired November 1974	51
Anmercosa Finance Limited	100
Anmercosa Holdings Limited	100
Anmercosa Investments Limited	100
Anmercosa Ventures Limited	100

In addition the company follows the equity method of accounting for its interest in certain investments as more fully explained in Note 2.

Interests in mining investigations:

The policy of the company is to charge income with all prospecting and exploration expenditures in respect of interests in mining investigations, because the ultimate realizable value of these interests is not determinable. If an interest is proven up, sold or a participation therein is granted, the resulting recovery of value will be treated as a credit to income.

Profit (loss) on trading securities:

The practice of the Amcan group is to value trading securities at the lower of cost or market on an individual basis. Realized profits or losses on trading securities, shown in the statement of income and retained earnings, include any increase or decrease in provision for unrealized losses (1974, increase—\$1,355,340; 1973, increase—\$451,400).

Depreciation and amortization:

Depreciation on buildings and automobile is provided using the declining-balance method over their estimated useful lives. Amortization of leasehold improvements is provided on the straight-line basis over the term of the lease. Furniture and office equipment are written down to a nominal value of \$1 on acquisition.

Conversion of foreign currency amounts:

Foreign currency amounts in these financial statements have been converted to Canadian dollars as follows:

Current assets and current liabilities—at the year-end rates of exchange.

Investments—at the rates of exchange prevailing at the dates of purchase.

Income and expenses—at the rates of exchange prevailing at the dates of settlement.

2. Investments

	1974	1973
At cost:		
Quoted (market value, 1974—\$1,068,308; 1973—\$4,262,557), less accumulated amounts written off, 1974 and 1973—\$254,613	\$ 1,534,482	\$ 3,669,070
Unquoted—less accumulated amounts written off, 1974—\$3,439,263; 1973—\$3,421,574	6,366,347	6,892,888
At equity value:		
Effectively controlled companies at cost, plus equity in undistributed income:		
Quoted (market value, 1974—\$49,351,716; 1973—\$92,837,710)	117,572,286	102,798,389
Unquoted	11,950,420	8,666,537
Advance to and interest in joint ventures, at cost less accumulated amounts written off against joint venture income, 1974—\$650,000; 1973—\$350,000	1,072,058	600,000
Mortgages receivable, due on various dates up to September 1990, less current portion, 1974—\$49,536; 1973—\$22,623	552,165	470,340
Excess cost of a subsidiary over the net book value of its assets, less accumulated amount written off, 1974—\$2,641; 1973—Nil	—	2,641
	<u>\$139,047,758</u>	<u>\$123,099,865</u>

Included in unquoted investments are \$3,000,000 7% debentures of Agnew Lake Mines Limited against which the company has an accumulated provision for loss of \$1,200,000. Payment of interest on the debentures has been deferred for six years commencing January 1, 1971. In prior years the company did not accrue such interest; however, in 1974 the company recorded the total interest accrued and, at the same time, recorded a provision for loss of an equal amount. As at December 31, 1974, the total interest accrued on the debentures and the related provision amounts to \$950,427.

Market value of quoted investments is based on December 31 closing bid prices. In the case of large shareholdings, such value does not necessarily represent the realizable value of the company's holdings which may be more or less than the indicated market value.

The company's direct and indirect investments in effectively controlled companies at December 31, 1974 are comprised of:

	% of Ownership	Underlying Equity in Net Assets
Hudson Bay Mining and Smelting Co., Limited	37.74	\$ 82,012,582
Francana Development Corporation Ltd.	40.00	10,407,032
Whitehorse Copper Mines Ltd.	20.63	2,394,887
Lytton Minerals Limited	33.64	1,522,975
Ambay Services Limited	50.00	Nil

With the exception of Ambay, the carrying value of the investments in effectively controlled companies in each case is in excess of the underlying equity in the net assets of those companies as shown by their audited financial statements. The amount of the excess and the date by which it will be amortized on a straight-line basis is as follows:

Hudson Bay Mining and Smelting Co., Limited	\$31,552,558	December 31, 2002
Francana Development Corporation Ltd.	1,543,388	December 31, 2002
Whitehorse Copper Mines Ltd.	433,691	December 31, 1975
Lytton Minerals Limited	2,918,863	See below

In the case of Lytton, no amortization was recorded in 1974, since the company's major mining interest is in the early stages of development.

2. Investments (continued)

The company applies the equity method of accounting to its investments in effectively controlled companies. Under this method the company records its share of income or losses of these companies. The amounts recorded for the years ended December 31, 1974 and December 31, 1973, are as follows:

	1974	1973
Equity in income of effectively controlled companies (including gain on realization of investments, 1974—Nil; 1973—\$795,265)	\$14,365,054	\$16,466,590
Less amortization of excess of carrying value over underlying equity in net assets . . .	1,418,139	1,084,934
	<u>\$12,946,915</u>	<u>\$15,381,656</u>

These amounts are presented in the statement of income and retained earnings as follows:

Dividends—effectively controlled companies	\$ 5,637,834	\$ 6,431,632
Equity in undistributed income of effectively controlled companies	7,309,081	8,048,928
Equity in recovery of investment by effectively controlled company	—	901,096
	<u>\$12,946,915</u>	<u>\$15,381,656</u>

Joint ventures comprise an equal partnership with Consumers Oil Limited, owning and developing oil and gas leases, and a one-sixth interest in a copper mine in which Hudson Bay Mining and Smelting Co., Limited also has a one-sixth interest and Whitehorse Copper Mines Ltd. the remaining two-thirds. The company is contingently liable for all debts and obligations of the joint ventures which, at December 31, 1974, amounted to \$1,020,978, and has recourse to all of the assets of the joint ventures to discharge these liabilities in excess of its proportionate share.

3. Fixed Assets

Fixed assets are comprised of the following:

Land and building—at cost, less accumulated depreciation of \$57,238	\$141,039
Leasehold improvements—at cost, less accumulated amortization of \$54,424	272,639
Automobile—at cost, less accumulated depreciation of \$3,586	1,885
Furniture and office equipment—at cost, less amount written off of \$257,158	1
	<u>\$415,564</u>

4. Loans, Debentures and Guarantees

Certain quoted investments have been lodged with banks as collateral security for the following:

- (a) Bank line of credit of \$5,000,000, which was not utilized as at December 31, 1974.
- (b) The income debentures which bear interest at varying rates equal to one-half of the prime rate of the Canadian Imperial Bank of Commerce plus one and one-half percentage points and which mature on various dates on or before June 18, 1976.

Amcan has guaranteed the obligations of an affiliated company as follows:

- (a) Bank line of credit for \$2,500,000.
- (b) Loans payable of \$15,610,300.

5. Capital Stock

The Class "A" and Class "B" shares are fully-voting, full equity shares, are convertible into each other on a one-for-one basis, and rank equally with respect to dividends and in all other respects. The only distinction between the two classes of shares is that the directors may, in declaring a dividend on the Class "B" shares, specify that the dividend shall be paid out of 1971 capital surplus on which no tax would be levied against either the company or the shareholder or out of tax-paid undistributed surplus on hand. In this case the company pays a tax of 15% and the shareholder receives the balance of 85% which is not subject to any further income tax in his hands, although the valuation base for capital gains tax purposes will be decreased by the amount received by the Class "B" shareholders.

6. Income and Refundable Taxes

A substantial portion of the income is not subject to income tax, except as described in the following paragraph, since it is comprised of interest on income bonds, dividends from taxable Canadian companies and income from effectively controlled companies.

Under the Income Tax Act, the company is classified as a private corporation and therefore taxes payable relative to certain investment and dividend income are potentially refundable and hence are not deducted in computing net income for the year. Refunds of these taxes are obtainable at the rate of \$1 for each \$3 of taxable dividends or income debenture interest paid. Should the company cease to be classified as a private corporation, the entitlement to refund would be lost. As at December 31, 1974, the amount of such taxes not yet recoverable was \$1,792,521.

Accumulated deferred exploration expenditures of approximately \$7,613,000 are available for application against certain taxable income of future years; in addition, losses for tax purposes totalling approximately \$2,494,000, available for application against taxable income of future years, expire as follows:

7. Earnings Per Share

Earnings per share are as follows:

The number of shares outstanding each year is calculated on the weighted monthly average, which average was 9,929,545 in 1974 and 9,054,545 in 1973.

8. Long-term Lease Commitment

Under long-term lease agreements, there is a commitment to pay net annual rentals of approximately \$161,000 until 1992.

9. Commitment—Survey System

During the year various agreements to research and develop an airborne biogeochemical survey system for exploration were entered into whereby Amcan is committed to advance by January 1976 a maximum of \$556,000 (of which \$337,880 was advanced in 1974).

10. Subsequent Event

Subsequent to December 31, 1974, the company has given an undertaking to subscribe for an investment in Lytton Minerals Limited at a cost not to exceed \$5 000 000.

11. Remuneration of Directors and Officers

Remuneration of Amcan's directors and officers for 1974 was as follows:

- (a) Twelve directors received aggregate remuneration, as directors, of \$10,200.
- (b) Eight officers, four of whom are also directors, received aggregate remuneration, as officers, of \$203,184.

Certain of the directors and officers are also directors and/or officers of the subsidiaries, but received no remuneration in those capacities.

12. Comparative Figures

Certain 1973 figures in the financial statements have been reclassified to conform to the 1974 presentation.

Auditors' Report

To the Shareholders of
Anglo American Corporation of Canada Limited:

We have examined the consolidated balance sheet of Anglo American Corporation of Canada Limited and its subsidiaries as at December 31, 1974 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We did not examine the financial statements of Tombill Mines Limited, Francana Development Corporation Ltd., Whitehorse Copper Mines Ltd. and the joint ventures which are reflected in the accompanying financial statements using the equity method of accounting. These financial statements which we did not examine were reported upon by other auditors and our opinion, insofar as it relates to the amounts included for such companies and joint ventures, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, ONTARIO,
February 27, 1975.

DELOITTE, HASKINS & SSELLS
Chartered Accountants.



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Anglo American Corp. of Canada Ltd., Toronto

Year Dec 31	11,946	21,712	1.20	2.40	8,151	13,250
			1	1		

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ANGLO AMERICAN

Anglo American Corp. of Canada Ltd. had no special items in 1974, but in 1973 there was a \$420,293 tax credit and a \$901,096 equity in a subsidiary's investment recovery, which made final profit \$23-million. Revenue in 1973 was restated to ~~reflect~~ reflect a change in the method of reporting dividends from effectively controlled companies.

H.R. Fraser, chairman, attributes the profit drop in 1974 to a decline in realization of investments to \$86,000, compared with \$6.8-million in 1973. Other factors were ^{\$1.6-million} a reduction in the equity in undistributed income of effectively controlled companies ~~of~~ ~~\$1.6-million~~ to \$7.3-million and losses incurred in the trading portfolio including provision for unrealized losses.

